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Message Text

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67
ACTION TRSE-00

INFO OCT-01 ARA-06 EUR-12 ISO-00 EB-07 /026 W
---------- 066739
R 050030Z FEB 76
FM AMEMBASSY MEXICO CITY
TO SECSTATE WASHDC 2841
INFO AMEMBASSY LONDON
DIR OF INTL OPERATIONS IRS WASHDC

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E.O. 11652: NA
TAGS: OGEN
SUBJECT: IRS REPRESENTATION IN CAYMAN ISLANDS

REF: LONDON 1654, MEXICO 1492

1. ACCORDING TO IRS REPRESENTATIVE BARNARD, GOVT CAYMAN ISLANDS MAY BE TRYING TO TERMINATE INTERNAL REVENUE SERVICE AGENCY REPRESENTATIVE PRESENCE IN C.I. FOR A CURRENT REASON STATED IN C.I. MONTHLY MAGAZINE NOR'WESTER NOVEMBER 1975 ISSUE, RELATING TO THE CRIMINAL TRIAL OF CANADIAN CITIZEN JEAN DOUCET, HEAD OF STERLING BANK GROUP WHICH FAILED 9/15/74 WITH LOSSES EXCEEDING $20,000,000. CONTINUING EVIDENCE OF WHOLE-HEARTED G.C.I. COOPERATION IN AIDING US TAX EVADERS IS RE-FLECTED IN THIS ARTICLE.

2. EIGHT FORMER CLIENTS WHOSE MONEY OR GOLD BULLION MR. DOUCET IS ALLEGED TO HAVE CONVERTED WILL NOT HAVE THEIR NAMES MENTIONED. THE JUDGE, OVER THE DEFENSE PROTESTS, SUSTAINED A MOTION TO THIS EFFECT BY THE GOVTS COUNSEL VICTOR DURAND, Q.C., WHO SAID ON PAGE 9 OF ARTICLE CITED ABOVE:

"JUSTICE WILL BE DEFEATED IF WITNESSES WERE UNABLE TO TESTIFY (BECAUSE IF NAMES PUBLISHED U.S. INTERNAL REVENUE SERVICE WOULD PROSECUTE THEM FOR TAX EVASION (WRITER'S COMMENT) AND THEREBY ALLOWED CRIMINAL CONDUCT TO BE COVERED UP. HE WOULD TREAD DELICATELY ON THE MATTER OF
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THE INTEREST OF THE C.I., WHICH HAD ACHIEVED A HIGH DEGREE

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OF ECONOMIC PROSPERITY (BY BEING A TAX HAVEN. (WRITER'S
COMMENT) WHICH IT WAS IN THE PUBLIC INTEREST TO PRESERVE."

ACCORDING TO THE ARTICLE, DURAND SAID WITNESSES WOULD NOT
TESTIFY AGAINST DOUCET IF THIS WAS NOT DONE. THE ARTICLE
ALSO HEADLINES THAT A "MR. J." RECEIVED $150,000 SPETEMBER
11, 1974 ON A $1,000,000 CHECK GIVEN THE BANK AUGUST 16,
1974.

3. RSR MEXICO REPORTED ON THE ABOVE ARTICLE IN HIS DECEMBER
3, 1975 M.C. 75/368 PLUS A LEAD TO IDENTITY OF $850,000
LOSER. A PRIORITY ITEM WOULD BE TO TRY TO DISCOVER NAMES OF
THESE WITNESSES ON THE NEXT OFFICIAL VISIT OF BARNARD TO
C.I.

4. A LIST OF SIGNIFICANT REPORTS MADE POSSIBLE BY VISITS TO
C.I. BY
BARNARD WAS FORWARED TO IRS WASHINGTON AND AMEMBASSY
LONDON BY UNCLASSIFIED MEXICO TELEX 1474 OF FEBRUARY 3, 1976.
THIS REPORT SHOULD BE ADDED TO THIS LIST TO DOCUMENT STATE-
MENT IN LAST PARAGRAPH OF REF B AND TO EMPHASIZE THAT SUCH REPORTS
SIMPLY WILL NOT BE FORCOMING IN THE FUTURE IF PRESENT INVESTI-
GATIVE STATUS OF IRS REPRESENTATIVE IN C.I. IS TERMINATED.
IRS REPRESENTATIVE BARNARD SAYS NO OTHER TAX HAVEN NOT
ANY OTHER BRITISH CROWN COLONY HAS EVER ATTEMPTED SUCH
DRASTIC STEPS AND HE RECOMMENDS THAT PROPOSAL BE MOST STRONGLY
RESISTED. HE BELIEVES THE U.S. IRS SHOULD AT THE VERY LEAST
BE ENTITLED TO ACCESS TO LEGITIMATE SOURCES OF PUBLIC INFORMATION
AND TO TAKE ADVANTAGE OF ANY MISTAKES MADE
BY TAXPAYERS AS IS NORMAL IN ANY TAX HAVEN.
JOVA

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 05 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976MEXICO01560
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760045-0207
From: MEXICO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760279/aaaacrpf.tel
Line Count: 92
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 LONDON 1654, 76 MEXICO 1492
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 17 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17 MAY 2004 by ellisoob>; APPROVED <17 MAY 2004 by morefirh>
Review Markings:

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US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: IRS REPRESENTATION IN CAYMAN ISLANDS
TAGS: OGEN
To: STATE
Type: TE
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